

# Example of minimum wage policy essay

[Literature](#), [Russian Literature](#)



## **INTRODUCTION**

The least amount of money offered to the workers in order to remunerate them for the tasks which they perform is called as the minimum wage rate (Saget, 2008). The wage rate offered to the workers is paid as suggested and prescribed by law. Usually the wage rate is denoted by hourly remuneration, and this rate is offered to the workers (Schulten, 2008). The legal authorities of the area are the ones which determine and negotiate the minimum wage rate which is permissible. The collective bargaining process includes the government regulations and this process specifically aims at proposing the rates at which employees may be hired. The application of the minimum wage rates has gained popularity in most of the nations (Gruetter, & Lalive, 2009).

In this report, a discussion of the application of the minimum wage rate policy has been presented. The cost of applying the policy and the related benefits will also be discussed in this report. Through the application of the policies, a discussion has been made whether this policy can or cannot be implemented in Cambodia. The wage rate offered to the employees determines the level of satisfaction and the collective bargaining power which is held and possessed by most of the individuals.

## **MINIMUM WAGE POLICY**

The work environment and the globalization of business require the employers that they offer the most competitive wage rates to the workers (Lee, & Saez, 2012). Understanding the need for best offering the tool assists in determining the offering which must be offered to individuals (Lee, & Saez,

2008). Different factors of production are also important for the development of the understanding. Theoretically the minimum wage is applicable through the neo-classical paradigm and the Keynesian paradigm.

### **Application in the neo-classical paradigm**

Originally the application of the minimum wage was not successful and did not generate a positive vibe in the neo-classical model. This was because the assumptions of the model stated that the role of the labor, minimum wages etc are all the same. These failed to distinguish the employees and the relevant skills which they possessed. The assumptions and the results determined through the homogeneous and heterogeneous data can be used, but the results are not accurate (Herr, & Kazandziska, 2011). These shows the relevant flaws in the model and the difficulties which arise with the changes in the market demand (EPI, 2014).

### **Application of the Keynesian model**

The Keynesian model suggests that the increasing wage rates of individuals will increase the cost at which the products are acquired. The discussion of the model is that the changes in employment are not dependent on the wage rate rather they are dependent on the economic situations which prevails in the area. The minimum wage level is set for the stability within the society and to ensure that the basic rights of individuals are protected (Herr, & Kazandziska, 2011).

### **Institutional dimensions of statutory minimum wages**

The policies related to the minimum wage are mostly affected by the global and the economic factors. The policies which are adopted within the society

change with the nation. Different characteristics of the nation such as the labor and trade market along with the economic conditions are the key factors which determine the specification of the wage policy. The level of the minimum wage of the area is set based on the GDP and the per capita area growth of the region. These factors are crucial for the society and determine the application of policies which leads to the development and signifies the progress of the nation. The country specific issues and the political challenges of the society are important factors which impact on the bargaining power of individuals. The overall welfare system and the family relatedness are the factors which determine the growth and stability within the society (U. S. Department of Labor, 2014).

The structures of different countries determine the change and application of the statute. With the change in the region, the minimum wage rate of the individuals also changes. The factors such as the age and occupation in the region determine the setting of the minimum wage rate.

## **EVALUATION OF THE COST AND BENEFITS OF THE POLICY**

The minimum wage is the lowest wage that the employer must pay to the workers. This determines the scope through which the business will expand.

### **Benefits of the minimum wage policy**

The benefits associated with the allocation of the minimum wage rate are the following.

- It helps the families in supporting and providing the basic needs of living and surviving to the family.
- Setting the minimum wage rate reduces the tax burdens and creates a

balance in the society which stabilizes the economy and raises it above the minimum wage rate.

- Through the setting of the minimum wage rate, the employment incentives of individuals are set. This again assists the public with the financial incentives and this ultimately reduces the overall minimum wage rate.
- With the classification of the minimum wage, SME business owners classify the budget of the company. This signifies the budget information and through which the overall expenses can be classified.
- This is the criteria which makes it easier for individuals to hire the unskilled employers. This is a determination of the lowest level of wage rate that the employer must give to the workers and hence eases the entire process (Benassi, 2011).

The applicative benefits of the minimum wage rate policy vary. This is based on the economic factors which contribute towards stabilizing the overall business environment.

### **Cost of applying the minimum wage policy**

The impact of the minimum wage rate is on the entire economy. With the increase in the wage rate, the taxes that employers have to pay also increase. This also increases the challenges faced by the society. With the increase in the wages, the cost of the goods which individuals have to pay within the society also increases. This is important for the application of the minimum wage policy. The increase in the wage rate by the employers automatically increases the cost which is applicable on the other relevant products (Lobosco, 2014).

The determination of the right set of wage rate is essential for the employers

for retaining the employees and keeping them motivated (Johnson, 2007). For efficiency and effectiveness of the workers, the minimum wage is used as a tool which determines the factors which will motivate the workforce. The cost and the benefits of the policy can be observed in the application methods using which the policies for the growth and development of the model are applicable (Furchtgott, 2013).

### **Drawback of the minimum wage policy**

The minimum wage is applied in the society for reducing poverty within the society. With the application of the model, the potential of the society improves significantly.

- Unemployment rises in the society where the minimum wage is higher, and the competition within the society is also higher.
- Cost push inflation can be caused in the system which may raise prices and increase the cost for the employers.
- This may also give rise to the black market which may increase the cost using which the legal minimum can be acquired by the individuals.
- Poor segment of society do not benefit with the minimum wage rate as the increase or decrease in the income is affected with the increases or decrease in the prices which cancels the effect.
- The relative poverty of the society is also not affected due to the relevant increase or decrease in the prices (Bird, & Manning, 2008).

The application of all these factors is the drawbacks of the system which many also be considered as the cost of the application of minimum wage rate. The understanding of the model determines the effectiveness of the application of the model.

## **CAMBODIAN IMPLEMENTATION OF THE POLICY**

In the Asian industry setting of the minimum wage rate is extremely difficult. The determination of the wage rate depends on the position of the economy and the factors of the economy which lead to the development of the nation within the society (Lemos, 2009). The workers within the region are paid on the basis of the quality of work which they perform. The attendance of individuals and the classification on the basis of seniority also play a vital role in the development of the economy (Community Legal Education Center, 2009).

The officials of the Cambodian government gather and decide the factors using which they must engage with the development or the growth prospects within the economy (Sjöberg, & Sjöholm, 2006). The rate are implemented from the strike and the actions imposed by the labor unions. The suggested wage rate was \$80 per month for workers in the garment and the footwear industry (Wage Indicator, 2014). The suggestion of the rate angered the workers and created a tense environment in the region. The management and officials are of the view that the strikes must be avoided so that the development and growth within the region shall not be affected. From the retaliation of the government and the workers the stability of the economy is badly affected (RFA, 2013).

Determining the suitable level of growth and development in the region the managers can determine the significance of setting the appropriate wage rate. This will set the level of development of the workers and motivate them to work with optimum efficiency. The ideal minimum wage levels of the workers show the growth and development of the workers. For ensuring that

the garment industry of Cambodia is competent and can sustain the competition the relevant wage rates must be offered to the workers. All this will aid to the development and growth which will subsequently result in the growth of the region (Shea, Nakayama, & Heymann, 2010).

## **CONCLUSION**

The importance of setting the minimum wage determines the scope through which the economy stabilizes. The application of the minimum wage rate determines the lowest level of income which individuals can generate within the economy. This report determines the minimum wage policy and details of its application. The wage rate and the policies vary with the region. The application of the Keynesian and Neo-Classical model are also discussed along with the benefits, cost and drawbacks of the application of the minimum wage rate within the society.

The scope of the model and its application in Cambodia has also been discussed through which its significance will be determined. This will assist in relating the literature of minimum wage rate to its actual application within the economy.

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